

# CRS Report for Congress

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## **Caribbean Region: Issues in U.S. Relations**

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Mark P. Sullivan  
Specialist in Latin American Affairs  
Foreign Affairs, Defense, and Trade Division

# Caribbean Region: Issues in U.S. Relations

## Summary

With some 34 million people and 16 independent nations sharing an African ethnic heritage, the Caribbean is a diverse region that includes some of the hemisphere's richest and poorest nations. The region consists of 13 island nations, from the Bahamas in the north to Trinidad and Tobago in the south; Belize, which is geographically located in Central America; and the two nations of Guyana and Suriname, located on the north central coast of South America. With the exception of Cuba and Haiti, Caribbean governments have generally respected the human rights of their citizens. Regular elections are the norm, and for the most part have been free and fair. Nevertheless, while many Caribbean nations have long democratic traditions, they are not immune to threats to their political stability, including terrorism. Many nations in the region experienced economic decline in 2001-2002 due to downturns in the tourism and agriculture sectors. With the exception of Haiti, most Caribbean economies have rebounded since 2003, although the extensive damage resulting from several storms in 2004 caused economic difficulties for several Caribbean nations.

U.S. interests in the Caribbean are diverse, and include economic, political, and security concerns. The Bush Administration describes the Caribbean as America's "third border," with events in the region having a direct impact on the homeland security of the United States. It maintains that Caribbean nations are "vital partners on security, trade, health, the environment, education, regional democracy, and other hemispheric issues."

The U.S.-Caribbean relationship is characterized by extensive economic linkages, cooperation on counter-narcotics efforts and security, and a sizeable U.S. foreign assistance program. U.S. aid supports a variety of projects to strengthen democracy, promote economic growth and development, alleviate poverty, and combat the AIDS epidemic in the region. Despite close U.S. relations with most Caribbean nations, there has been tension at times in the relationship. For example, relations between Caribbean Community (CARICOM) nations and the United States became strained in the aftermath of the departure of Haitian President Jean Bertrand Aristide from power in February 2004. In the aftermath of several devastating storms in 2004, Congress approved \$100 million in emergency supplemental funding (P.L. 108-324) to support humanitarian efforts and reconstruction in Haiti, Grenada, and Jamaica.

In the second session of the 109<sup>th</sup> Congress, congressional interest in the Caribbean will likely include continued anti-drug trafficking and anti-money laundering cooperation, support to combat the HIV/AIDS epidemic in the region, post-hurricane reconstruction efforts, and security concerns such as port security and border security efforts. This report deals with broader issues in U.S. relations with the Caribbean and does not include an extensive discussion of Haiti and Cuba. U.S. policy toward these Caribbean nations is covered in two CRS products: CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by Maureen Taft-Morales; and CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*, by Mark P. Sullivan.

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# Caribbean Region: Issues in U.S. Relations

## Most Recent Developments

On April 22, 2006, Guyana's Agriculture minister, along with his two siblings and a security guard, were shot and killed in an apparent robbery. A week earlier, the Guyana Elections Commission decided to postpone national elections until after the constitutional deadline of August 4, 2006, in order to provide more time to improve the accuracy of the electoral register. Some observers have expressed concern that political tensions in Guyana could escalate into violence in the lead-up to the elections.

On April 12, 2006, U.S. and CARICOM (Caribbean Community) trade officials meeting in Washington began preliminary exploration of a potential free trade agreement. The officials also agreed to revitalize a dormant U.S.-CARICOM Trade and Investment Council that had originally been established in the early 1990s.

On March 30, 2006, Portia Simpson Miller was sworn in as Jamaica's first female Prime Minister. She replaced outgoing Prime Minister P.J. Patterson as the leader of the ruling People's National Party who had governed since 1992.

On March 22, 2006, Secretary of State Condoleezza Rice met with CARICOM foreign ministers in Nassau, Bahamas. She maintained that the United States wants to deepen its relations with the region and called for support for the new democratically elected government in Haiti. (CARICOM leaders are expected to reinstate Haiti's full membership in the organization when they meet at their July 2006 summit in St. Kitts and Nevis; Haiti's participation in CARICOM was suspended after the departure of President Jean Bertrand Aristide from power in February 2004.)

On February 14, 2006, the Senate approved H.Con.Res. 71 (Lee), by unanimous consent, expressing the sense of Congress that there should be established a Caribbean-American Heritage Month. The House had approved the resolution on June 27, 2005.

## Conditions in the Region

The Caribbean, encompassing 16 independent nations, is a diverse region of some 34 million people that includes some of the hemisphere's richest and poorest nations (see **Table 1**). The region consists of 13 island nations, from the Bahamas in the north to Trinidad and Tobago in the south; Belize, which is geographically located in Central America; and the two nations of Guyana and Suriname, located on the north central coast of South America. Many countries in the region share a common African ethnic and British colonial heritage, while Cuba and the Dominican Republic were Spanish colonies, Haiti was French, and Suriname was Dutch. The dates of independence of these countries range from Haiti in 1804 to St. Kitts and Nevis in 1983. The largest nations in terms of land area are Guyana and Suriname, while those with the largest populations are Cuba, the Dominican Republic, and Haiti. The island nations of the Eastern Caribbean are among the smallest countries in the world. Politically, all Caribbean nations, with the exception of communist Cuba, have elected democratic governments. Most of the former British colonies have parliamentary forms of government, with the exception of Guyana, the Dominican Republic, Haiti, and Suriname, which are republics headed by presidents.

In terms of regional integration, 14 of the region's independent nations belong to the Caribbean Community (CARICOM), with the exception of the Dominican Republic (which has observer status) and Cuba. CARICOM was formed in 1973 to spur regional economic integration. Some critics argue that it has been slow to promote integration, compared to other regional economic groupings, but progress has been made in moving toward a single economic market and in establishing a Caribbean Court of Justice. In addition to CARICOM, six Eastern Caribbean nations are members of the Organization of Eastern Caribbean States (OECS), the subregional organization designed to stimulate economic integration and foreign policy harmonization. The six OECS nations also share a common currency, the Eastern Caribbean dollar, with monetary policy managed by the Eastern Caribbean Central Bank. The Caribbean Development Bank (CDB), headquartered in Barbados, promotes economic development and regional integration.

With the exception of Cuba and Haiti, Caribbean governments generally respect the human rights of their citizens. Regular elections are the norm, and for the most part have been free and fair. Last year, Dominica and Suriname held elections in May, and St. Vincent and the Grenadines held elections in December. Haiti was expected to hold elections in 2005, but significant problems and political instability resulted in those elections being postponed several times, until they were ultimately held on February 7, 2006. Haiti held a second round of legislative elections on April 21, 2006, and the Dominican Republic is scheduled to hold legislative elections on May 16. Guyana was scheduled to have presidential and legislative elections before the constitutional deadline of August 4, 2006, but the Guyana Elections Commission decided in mid-April 2006 to postpone the elections until after the deadline, in order to provide more time to improve the accuracy of the electoral register. No election date has been set yet; some observers have expressed concern that political tensions in Guyana could escalate into violence in the lead-up to the elections. Also in 2006, St. Lucia is due to hold parliamentary elections by December 2. (See **Table 2** for a listing of leaders and elections for head of government.)

Although many Caribbean nations have maintained long democratic traditions, they are not immune from terrorist and other threats to their political stability. In 1993, stability on St. Kitts was threatened following violent protests after disputed elections; order was restored with the assistance of security forces from neighboring states. In 1990, the government of Trinidad and Tobago was endangered by a coup attempt by a radical Muslim sect. Earlier in the 1980s, the government of Eugenia Charles in Dominica was threatened by a bizarre coup plot involving foreign mercenaries. And of course, Grenada, under the socialist-oriented government of Maurice Bishop, experienced a break from the democratic norm after it assumed power in a nearly bloodless coup in 1979 and installed a people's revolutionary government. After the violent overthrow and murder of Bishop in 1983, the United States intervened to restore order and end the Cuban presence on the island.

Many Caribbean nations experienced an economic slump in 2001-2002 due to downturns in the tourism and agriculture sectors, although most Caribbean economies, with the exception of Haiti, have rebounded since 2003. Countries that depend on tourism were hurt by the aftermath of the September 2001 terrorist attacks in the United States and the subsequent U.S. economic recession and sluggish recovery. The banana and sugar sectors in the Eastern Caribbean were damaged by a tropical storm in 2002 and a drought in 2003. Both sectors face uncertain futures in light of the European Union's plan to phase out preferred market access from former Caribbean colonies for bananas by 2006 and for sugar by 2009. The Haitian economy has been in decline since 2001, with political instability exacerbating already difficult economic conditions in the hemisphere's poorest nation. The strongest performing economies in recent years have been those of the Dominican Republic, fueled by the apparel sector, and Trinidad and Tobago, with substantial energy resources. In 2003, however, the Dominican economy experienced a decline in economic growth due to the financial strains caused by the collapse of one of the largest domestic banks.

In 2004, the region's strongest economic performers were Suriname, Trinidad and Tobago, and St. Kitts, with growth rates over 6%, and St. Lucia and Antigua and Barbuda with growth rates over 5%. Those countries not faring well economically included Haiti, with an estimated 3.8% decline in gross domestic product (GDP), and Grenada, with a GDP decline of 2.8% because of the devastation caused by Hurricane Ivan.

Preliminary estimates for 2005 show continued economic growth in the region, with the Dominican Republic, St. Lucia, and Trinidad and Tobago registering growth rates of 7% or more. Those countries faring poorly are Guyana, with an estimated GDP decline of 2.9%, and Haiti and Jamaica, registering only modest growth rates of 1.5% and 1.4% respectively.<sup>1</sup> Concern that rising oil prices could cause an economic setback for some countries has been alleviated to some extent by Venezuela's new subsidized oil program for Caribbean countries known as PetroCaribe. Some observers have also been concerned about the region's high level

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<sup>1</sup> U.N. Economic Commission for Latin America and the Caribbean (ECLAC), "Balance Preliminar de las Economías de América Latina y el Caribe, 2005," December 2005.

of public debt, with several Caribbean nations having debt levels that exceed 100% of their GDP.<sup>2</sup>

## Overview of U.S.-Caribbean Relations

U.S. interests in the Caribbean are diverse, and include economic, political, and security concerns. During the Cold War, security concerns tended to eclipse other policy interests. In the aftermath of the Cold War, other U.S. policy interests emerged from the shadow of the East-West conflict in the Caribbean that focused on concerns about the Soviet and Cuban threat. U.S. policy priorities shifted from one emphasizing security concerns to a new focus on strengthened economic relations through trade and investment. Today, in the aftermath of the September 2001 terrorist attacks in the United States, security concerns have re-emerged as a major U.S. interest in the Caribbean. The Administration describes the Caribbean as America's "third border," with events in the region having a direct impact on the homeland security of the United States. It describes Caribbean nations as "vital partners on security, trade, health, the environment, education, regional democracy, and other hemispheric issues."<sup>3</sup>

The United States has close relations with most Caribbean nations, with the exception of Cuba under Fidel Castro. The U.S.-Caribbean relationship is characterized by extensive economic linkages, cooperation on counter-narcotics efforts and security, and a sizeable U.S. foreign assistance program supporting a variety of projects to strengthen democracy, promote economic growth and development, alleviate poverty, and combat the AIDS epidemic in the region. The region has had preferential treatment of its exports to the U.S. market since the early 1980s, and U.S. efforts are now focused on helping the region prepare for hemispheric free trade.

Despite close U.S. relations with most Caribbean nations, there has been tension at times in the relationship. For example, relations between Caribbean Community (CARICOM) nations and the United States became strained in the aftermath of the departure of President Jean Bertrand Aristide from power in February 2004. CARICOM nations called for an investigation into the circumstances surrounding Aristide's departure. Haiti's participation in CARICOM remains suspended., but CARICOM leaders are expected to reinstate Haiti to full membership when they meet at their July 2006 summit in St. Kitts and Nevis.

Caribbean nations such as Jamaica that depend on tourism expressed concerns to the Bush Administration about a proposed State Department initiative that would have required a passport, beginning December 31, 2005, for those traveling to and from the Caribbean to enter or re-enter the United States. The countries feared that

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<sup>2</sup> "Organization of Eastern Caribbean States, Country Report," Economist Intelligence Unit, September 2005.

<sup>3</sup> U.S. Department of State, *Congressional Budget Justification, Foreign Operations, FY2006*, "Third Border Initiative," p. 548.



tourism from the United States would be negatively affected because Americans do not presently need a passport to travel to several Caribbean islands. For example, in 2005, some 50% of Americans traveling to Jamaica did not have a passport.<sup>4</sup> The State Department subsequently revised the Caribbean deadline to December 31, 2006, the same passport deadline for air and sea travel from Canada, Mexico, and Central and South America.

U.S. relations with Haiti were strained under the government of Jean Bertrand Aristide because of concerns over corruption and human rights, but there has been renewed cooperation under the interim Haitian government that took office in February 2004. A U.S.-led Multilateral Interim Force was superceded with a United Nations Stabilization Mission in Haiti (MINUSTAH) in June 2004, with the goal of ensuring a secure and stable environment for free and fair elections. After being postponed several times because of political instability and technical problems, new elections were ultimately held February 7, 2006. Former president Rene Preval was declared the winner after several days of protests by his supporters when it appeared that a run-off election would be necessary. Preval is not expected to take office until May 14, 2006. Migrant interdiction has been a key component of U.S. policy toward Haitian migrants. (For further on U.S. policy toward Haiti, see CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*; CRS Report RL33156, *Haiti: International Assistance Strategy for the Interim Government and Congressional Concerns*, both by Maureen Taft-Morales; and CRS Report RS21349, *U.S. Immigration Policy on Haitian Migrants*, by Ruth Ellen Wasem.)

Since the early 1960s, U.S. policy toward Cuba has consisted largely of isolating the island nation through economic sanctions, including a trade embargo. The Bush Administration has essentially continued this policy, although it has further tightened economic sanctions, especially on travel. Another component of U.S. policy consists of support measures for the Cuban people, including private humanitarian donations, U.S.-sponsored radio and television broadcasting to Cuba, and U.S. funding to support democracy and human rights. U.S. immigration policy toward Cuban migrants has been described as a “wet foot/dry foot policy,” with the U.S. Coast Guard interdicting Cuban migrants at sea and returning them to Cuba, while those Cubans who reach shore are generally allowed to apply for permanent resident status. (For further information on policy toward Cuba, see CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*; CRS Report RL31139, *Cuba: U.S. Restrictions on Travel and Remittances*, both by Mark P. Sullivan; and CRS Report RS20468, *Cuban Migration Policy and Issues*, by Ruth Ellen Wasem.)

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<sup>4</sup> “OECS, Country Report,” Economist Intelligence Unit, December 2005, p. 33.

## U.S. Foreign Assistance

The United States has provided considerable amounts of foreign assistance to the Caribbean over the past 25 years. U.S. assistance to the region in the 1980s amounted to about \$3.2 billion, with most concentrated in Jamaica, the Dominican Republic, and Haiti. An aid program for the Eastern Caribbean also provided considerable assistance, especially in the aftermath of the 1983 U.S.-led military intervention in Grenada. In the 1990s, U.S. assistance to Caribbean nations declined to about \$2 billion, or an annual average of \$205 million. Haiti was the largest recipient of assistance during this period, receiving about \$1.1 billion in assistance or 54% of the total. Jamaica was the second largest U.S. aid recipient in the 1990s, receiving about \$507 million, almost 25% of the total, while the Dominican Republic received about \$352 million, about 17% of the total. Eastern Caribbean nations received about \$178 million in assistance, almost 9% of the total. The bulk of U.S. assistance was economic assistance, including Development Assistance, Economic Support Funds, and P.L. 480 food aid. Military assistance to the region amounted to less than \$60 million during the 1990s.

Since FY2000, U.S. aid to the Caribbean region (including FY2006 aid estimates) has amounted to almost \$1.6 billion, because of increased HIV/AIDS assistance to the region (especially to Guyana and Haiti), disaster and reconstruction assistance in the aftermath of several hurricanes and tropical storms in 2004, and increased support for the interim government in Haiti following the departure of President Jean-Bertrand Aristide from power. Haiti accounted for some 51% of assistance to the Caribbean region during this period. As in the 1990s, the bulk of assistance to the region consisted of economic assistance. With regard to hurricane disaster assistance, Congress appropriated \$100 million in October 2004 in emergency assistance for Caribbean nations (P.L. 108-324), with \$42 million for Grenada, \$38 million for Haiti, \$18 million for Jamaica, and \$2 million for other countries affected by the storms. Overall assistance to the Caribbean amounted to \$393 million in FY2005 and an estimated \$306 million in FY2006 (see **Table 5**).

For FY2007, the Administration has requested about \$322 million in assistance for the Caribbean, with about \$198 million or almost 62% of the total for Haiti, \$35 million for the Dominican Republic, \$31 million for Guyana, and almost \$17 million for Jamaica. Assistance to the small nations of the Eastern Caribbean (Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines) is provided through USAID's Caribbean Regional program, which also funds some region-wide projects; for FY2007, the Administration requested \$11.6 million for the program. The Eastern Caribbean would also receive about \$1.5 million in military assistance and \$3.2 million to support a Peace Corps presence. The request of \$3 million for the "Third Border Initiative" (TBI) would fund regional projects for the 14-nation Caribbean Community (CARICOM) plus the Dominican Republic that focus on improving travel and border security in the region, disaster preparedness, and greater business competitiveness. A request of \$4 million for Operation Enduring Friendship, a military assistance program, would support efforts to increase maritime security in the Dominican Republic, Honduras, Panama, the Bahamas, and Jamaica. (See **Tables 5 and 6**).

Looking ahead to future years, several Caribbean nations are potential recipients for Millennium Challenge Account (MCA) assistance, an initiative to target foreign assistance to countries with strong records of performance in the areas of governance, economic policy, and investment in people. While Haiti and Guyana were potentially eligible for MCA funds in FY2004 (because their per capita income was below \$1,415) neither country was approved to participate. Guyana was designated an MCA threshold country for FY2005 and FY2006 and could be approved in future years for MCA funding, but Haiti would likely have difficulty meeting MCA criteria. In FY2006, the per capita income level for MCA-eligibility increased to \$3,255 or below, and as a result, three additional Caribbean countries — the Dominican Republic, Jamaica, and Suriname — could become eligible for MCA funding.

One obstacle in the provision of U.S. military assistance to the Caribbean is that several Caribbean nations that are parties to the International Criminal Court (ICC) have not signed agreements to exempt Americans from ICC prosecution, so-called “Article 98 agreements.” Pursuant to the American Servicemembers’ Protection Act (P.L. 107-206, title II), the Administration terminated military assistance to these nations on July 1, 2003: Antigua and Barbuda, Barbados, Belize, Dominica, St. Vincent and the Grenadines, and Trinidad and Tobago. Subsequently, Antigua and Barbuda signed an Article 98 agreement in September 2003; Belize signed one in December 2003; and Dominica signed one in May 2004. Trinidad and Tobago, which played a leading role in the establishment of the ICC, has strongly resisted signing an agreement, as has Barbados. (For additional information see CRS Report RL33337, *Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America*, by Clare M. Ribando.)

## Drug Trafficking and Money Laundering Issues

Because of their geographic location, many Caribbean nations are transit countries for cocaine and heroin from South America destined for the U.S. and European markets. In addition, two Caribbean nations — Jamaica and St. Vincent and the Grenadines — are large producers and exporters of marijuana. Of the 16 countries in the Caribbean region, President Bush in September 2005 designated four of them as major drug-producing or drug-transit countries pursuant to annual legislative drug certification requirements: the Bahamas, the Dominican Republic, Haiti, and Jamaica. The President maintained that Haiti has made efforts to improve its performance, but he expressed concerns about the government’s inability to effectively organize law enforcement resources.<sup>5</sup>

All four designated Caribbean countries are major transit countries for illicit drugs to the U.S. market, and Jamaica is the largest marijuana producer and exporter in the Caribbean. The Bahamas cooperates extensively with the United States on counternarcotics measures, including interdiction efforts through Operation Bahamas and Turks and Caicos (OPBAT), a multinational interdiction effort, and efforts that

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<sup>5</sup> White House, Press Release, “Memorandum for the Secretary of State: Presidential Determination on Major Drug Transit or Major Illicit Producing Countries for Fiscal Year 2006,” September 15, 2005.

target Bahamian drug trafficking organizations. The Dominican Republic, a major transit country for both cocaine and heroin, cooperates closely with the United States, although the State Department's March 2006 *International Narcotics Control Strategy Report* notes that "corruption and weak governmental institutions remained an impediment to controlling the flow of illegal narcotics" through the country. Jamaican cooperation with U.S. law enforcement agencies on counternarcotics efforts is described by the State Department report as excellent in most cases, although it maintains that the government needs to further intensify its law enforcement efforts and enhance international cooperation. In Haiti, anti-drug efforts have been hampered over the years by weak institutions, poor economic conditions, and political instability. Under the interim government of President Boniface Alexandre, the country's continued economic and political crises have resulted in little attention to counternarcotics efforts, according to the State Department, but a new Director General of the Haitian National Police reportedly has worked to combat drug-related crime and police corruption.

Many other Caribbean nations, while not designated major transit countries, are still vulnerable to drug trafficking and associated crimes because of their geographic location. In particular, the State Department's March 2006 report maintains that such crimes have the potential to threaten the stability of the small states of the Eastern Caribbean, and to varying degrees, have damaged civil society in some of these countries. Given the poor outlook for the banana industry in the Caribbean, some observers believe that it will be difficult to contain marijuana production unless there is adequate support to diversify these economies away from banana production. St. Vincent and the Grenadines is the largest marijuana producer in the Eastern Caribbean.

Efforts to crack down on money laundering also constitute a major component of U.S. anti-drug strategy, and became increasingly important as a counter-terrorist strategy in the aftermath of the September 2001 terrorist attacks in the United States. The State Department's list of major money laundering countries (also categorized as "jurisdictions of primary concern") includes six Caribbean countries — Antigua and Barbuda, the Bahamas, Belize, the Dominican Republic, Haiti, and St. Kitts and Nevis — and one British Caribbean dependency, the Cayman Islands. The Department of State maintains that although Antigua and Barbuda has comprehensive legislation to regulate its financial sector, the country remains vulnerable to money laundering because the sector is loosely regulated and because of its Internet gaming industry. The Bahamas has enacted strong anti-money laundering laws that has made it difficult for drug traffickers to deposit large amounts of cash; as a result, traffickers have begun storing large quantities of cash in safe houses, purchasing real estate, vehicles, and jewelry, and processing money through legitimate businesses and shell companies. In Belize, money laundering is believed to occur primarily in the country's growing offshore financial center. Money laundering in both the Dominican Republic and Haiti stem from their roles as major drug transshipment points. In the Dominican Republic, financial institutions engage in transactions with money derived from illegal drug sales in the United States, with courier and wire transfers the primary methods for moving the funds. St. Kitts and Nevis, according to the State Department, is at major risk for corruption and money laundering because of the high volume of narcotics being trafficked through the country and because of the presence of known traffickers on the islands.

The Financial Action Task Force on Money Laundering (FATF), an inter-governmental body with the objective of combating money laundering and terrorist financing, has published a list of non-cooperative countries and territories in the fight against money laundering since 2000. The FATF evaluative process has been a major factor in Caribbean countries improving their anti-money laundering regimes. Four Caribbean nations and one dependent territory were on the first FATF non-cooperative list issued in 2000: the Bahamas, the Cayman Islands, Dominica, St. Kitts and Nevis, and St. Vincent and the Grenadines. Grenada was added to the list in September 2001. Subsequent actions by all these nations to improve their anti-money laundering regimes resulted in all of them being removed from the list by June 2003. The Bahamas and the Cayman Islands were removed from the list in June 2001; St. Kitts and Nevis in June 2002; Dominica in October 2002; Grenada in February 2003; and St. Vincent in June 2003. Once a nation is removed from the list, the FATF continues to monitor developments in the country to ensure compliance.

Some Caribbean officials and others have complained that pressure to strengthen and enforce anti-money laundering regimes in the region will have a detrimental effect on its offshore financial sectors. They maintain that the anti-money laundering measures required have been indiscriminate and constitute an attack on legitimate business conducted in the small financial sectors of the region. In particular, after the U.S. congressional passage of new anti-money laundering provisions in the USA PATRIOT Act (P.L. 107-56, Title III), approved in the aftermath of the September 11 terrorist attacks, some feared that the stricter scrutiny of transactions between U.S. and Caribbean financial institutions would threaten the offshore financial industry in the Caribbean.<sup>6</sup> The act's anti-money laundering provisions include a prohibition on U.S. correspondent accounts with shell banks (banks that have no physical presence in the chartering country) and tighter bank record keeping requirements.

Some observers maintain that the strengthening of anti-money laundering regimes in the Caribbean will have the end result of increasing the attractiveness of the region's offshore financial sectors for legitimate business transactions. According to this view, such efforts as the FATF evaluative process and the newer anti-money laundering measures under the PATRIOT Act will help change the reputation of the Caribbean as being a haven for money launderers and tax evaders.

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<sup>6</sup> For example, see "Barbados — Weighed Down by Money Laundering Controls — Bankers and Government Officials Are Worried that Hasty Decisions in the War Against Money Laundering Could Threaten the Financial Services Industry in Small Jurisdictions Like Barbados," *The Banker*, July 1, 2003; "U.S. Lawmaker: Antiterror Laws May Hurt Offshore Banking," *Dow Jones International News*, January 5, 2003.

## Trade Issues

The United States has offered a one way duty-free preferential trade arrangement for a wide range of products from Caribbean Basin nations since the early 1980s as an incentive for increased investment and export production in the region. In 1983, Congress enacted the Caribbean Basin Economic Recovery Act (CBERA) (P.L. 98-67), the centerpiece of a broader U.S. foreign policy initiative known as the Caribbean Basin Initiative (CBI) linking Central America and Caribbean nations together under one preferential trade program. The CBERA allowed duty-free importation of many categories of products with certain exceptions. Most apparel and textile goods were ineligible under the CBERA, but in the late 1980s imports of apparel from CBERA countries that were assembled from U.S. components were eligible for reduced duties. These production-sharing arrangements boosted the apparel sectors of several Caribbean Basin countries, including most significantly the Dominican Republic. In 1990, Congress enacted so-called CBI II legislation, the Caribbean Basin Economic Recovery Expansion Act of 1990 (P.L. 101-382, Title II), that enhanced the benefits of CBERA and made its provisions permanent.

Congress approved the Caribbean Basin Trade Partnership Act (CBTPA) (P.L. 106-200, Title II) in 2000, which expanded preferential tariff treatment for Caribbean Basin nations, providing them with NAFTA-like tariff treatment. This includes preferential treatment for qualifying textile and apparel products. The CBTPA benefits are scheduled to expire in September 2008, or upon entry into force of the Free Trade Area of the Americas, whichever comes first. Of the 15 independent Caribbean countries eligible for CBTPA benefits (Cuba is not eligible), only 8 have been designated to participate in the program because they fully meet the eligibility criteria<sup>7</sup> set forth in the CBTPA. Belize, the Dominican Republic, Haiti, and Jamaica were designated in October 2000; Guyana was designated in November 2000; Trinidad and Tobago was designated in February 2001; and Barbados and St. Lucia were designated in June 2001. The remaining Caribbean countries continue to benefit from the CBERA program, with the exception of Cuba, which is not eligible, and Suriname, a former Dutch colony which has never elected to participate in the CBI trade program. (For further information, see CRS Issue Brief IB95050, *Caribbean Basin Interim Trade Program: CBI/NAFTA Parity*, Vladimir N. Pregej.)

Since the United States first implemented a preferential trade program for Caribbean Basin imports in 1984, the overall performance of exports has been mixed (see **Table 3**). The Dominican Republic has been the Caribbean country that has benefitted most from the program, and its apparel sector expanded significantly because of production-sharing arrangements. Overall U.S. imports from the Caribbean (not including Central America) amounted to about \$4.7 billion in 1984 and to about \$14.5 billion in 2005, an increase of about \$9.8 billion. The Dominican Republic accounted for \$3.6 billion of the increase. Trinidad and Tobago, an oil and gas exporter, increased its exports destined for the United States, from \$1.4 billion

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<sup>7</sup> The criteria cover a wide spectrum of issues, including WTO obligations; intellectual property rights; worker rights; child labor; and counter-narcotics, anti-corruption, and transparency efforts.

in 1984 to about \$7.9 billion in 2004. For other Caribbean nations, however, such as Haiti and the Bahamas, overall exports to the United States have declined or been stagnant since the early 1980s. Bahamian exports to the United States fell when the country's oil refinery closed in 1985; the country's economy remains based on tourism and financial services.

U.S. exports to the region rose from \$8.9 billion in 2001 to \$11.9 billion in 2005 (see **Table 4**). Four Caribbean countries — Dominican Republic, Trinidad and Tobago, Jamaica, and the Bahamas — are the destination for the lion's share of U.S. exports to the region. In 2004, U.S. exports to these four countries accounted for 81% of total U.S. exports to the Caribbean. The United States ran a trade deficit of \$2.6 billion with the Caribbean in 2004, largely because of the increase in the value of oil and gas imports from Trinidad and Tobago. For most other Caribbean nations, the United States ran a trade surplus.

## Movement Toward Free Trade

All Caribbean nations with the exception of Cuba are participating in the negotiations for a Free Trade Area of the Americas (FTAA), although negotiations for that agreement have been stalled since 2004.<sup>8</sup> Within CARICOM, while some governments, like Trinidad and Tobago, are enthusiastic about the FTAA, other Caribbean governments, especially the smaller countries of the region, have reservations about the FTAA and its impact on the region. While participating in the FTAA negotiations, Caribbean nations argue for special and differential treatment for small economies, including longer phase-in periods. CARICOM has also called for a Regional Integration Fund to be established that would help the smaller economies meet their needs for human resources, technology, and infrastructure.

In the meantime, CARICOM, which often has been criticized for acting too slowly, is trying to prepare itself for hemispheric integration by moving ahead with its own regional integration. In April 2005, CARICOM members established the Caribbean Court of Justice, headquartered in Port-of-Spain in Trinidad and Tobago, that will serve as region's final court of appeal and replace the Privy Council based in London. The Court will play an important role in the region's economic integration by ruling on trade disputes in the forthcoming CARICOM Single Market and Economy (CSME). Barbados, Jamaica, and Trinidad led the way in moving ahead with the implementation of the CSME, which became operational in January 2006.

On April 12, 2006, U.S. and CARICOM trade officials meeting in Washington began exploring the possibility of a free trade agreement, although Caribbean ministers reportedly maintained that they would only negotiate such an agreement if it included extensive transition periods for Caribbean nations.<sup>9</sup> The officials also

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<sup>8</sup> For background and status of the FTAA negotiations, see CRS Report RS20864, *A Free Trade Areas of the Americas: Major Policy Issues and Status of Negotiations*, by J.F. Hornbeck.

<sup>9</sup> "CARICOM Members Seek Special Treatment in FTA Talks with U.S.," *Inside U.S.* (continued...)

agree to revitalize a dormant Trade and Investment Council that had originally been established in the early 1990s. The council would be the mechanism used to continue exploratory talks on an FTA as well as other trade and investment issues.

The Dominican Republic and the United States completed negotiations for a Free Trade Agreement on March 15, 2004, that was ultimately integrated with a free trade agreement negotiated with Central American countries. Ultimately, Congress approved legislation (P.L. 109-53) in July 2005 implementing the U.S.-Dominican Republic-Central America Free Trade Agreement (DR-CAFTA). The agreement had faced political uncertainty in Congress because of divergent U.S. views on relaxing trade rules for sensitive agricultural and textile imports and on labor provisions. The Dominican Republic views the agreement as a means of ensuring the continuation of U.S. preferential treatment for textiles and apparel and a means to attract U.S. investment. The Bush Administration views the agreement as a way for the region to help create jobs, attract foreign investment, and advance good governance. (For further information, see CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (CAFTA-DR)*, by J.F. Hornbeck; and CRS Report RL32322, *Central America and the Dominican Republic in the Context of the Free Trade Agreement (DR-CAFTA) with the United States*, by K. Larry Storrs, et al.)

In the 109<sup>th</sup> Congress, two identical bills referred to as the Caribbean Basin Trade Enhancement Act of 2005 — H.R. 1213 (Hyde), introduced March 10, 2005, and S. 704 (Martinez), introduced April 5, 2005 — would authorize up to \$10 million in FY2006 for the Organization of American States (OAS) to establish a Center for Caribbean Basin Trade and up to \$10 million for the OAS to establish a skills-training program for Caribbean Basin countries.

## Third Border Initiative and Security Issues

As first announced by President Bush at the April 2001 Summit of the Americas, the “Third Border Initiative” (TBI) had the goals of deepening cooperation in fighting the spread of HIV/AIDS, responding to natural disasters, and making sure the benefits of globalization are felt in even the smallest economies. The Caribbean was described as an often overlooked “third border,” where illegal drug trafficking, migrant smuggling, and financial crime threaten U.S. and regional security interests. The initiative consisted of a package of programs to enhance diplomatic, economic, health, education, and law enforcement cooperation and collaboration. Most significantly, the initiative included increased funding to combat HIV/AIDS in the region.<sup>10</sup>

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<sup>9</sup> (...continued)

*Trade*, April 14, 2006.

<sup>10</sup> U.S. Department of State, International Information Programs, Washington File, “Fact Sheet: Caribbean Third Border Initiative,” April 21, 2001.



In the aftermath of the September 2001 terrorist attacks in the United States, the Third Border Initiative expanded to focus on issues affecting U.S. homeland security in the fields of administration of justice and security. Economic Support Funds (ESF) under the TBI have been used to help Caribbean airports modernize their safety and security regulations and oversight, which is viewed an important measure to improve the security of visiting Americans. TBI funds have also been used to support border security such as the strengthening of immigration controls; to help Caribbean economies move toward greater competitiveness; and to support an improvement of environmental management.<sup>11</sup> TBI funding amounted to \$3 million in FY2003, almost \$5 million in FY2004, \$8.9 million in FY2005, and an estimated \$2.97 million in FY2006. The FY2007 request for the TBI is for \$3 million. (See **Tables 5 and 6** on U.S. assistance to the Caribbean at the end of this report.)

In addition to the TBI, the United States has also provided support to improve port security in the Caribbean region, with the objective of helping ports comply with the more stringent set of maritime regulations embodied in new International Ship and Port Facility Security (ISPS) Code, which went into effect on July 1, 2004. The ISPS is a set of maritime regulations for ships and port facilities with the objective of preventing terrorist incidents. There has been concern among Caribbean nations about the high cost of implementing these security regulations. Some of the larger, richer countries in the Caribbean will be better equipped to afford these extra security costs, while some of the smaller and poorer nations will have difficulty coming into compliance.

The U.S. Coast Guard has responsibility for conducting foreign port security assessments to see whether the ports are in compliance with the ISPS standards. Trade sanctions are an option if the port is not in compliance. By November 2004, all Caribbean nations had self-reported that they were in compliance with the more stringent standards of the ISPS Code. The Coast Guard is currently involved in visiting foreign ports worldwide to ensure that security practices are up to standards. The United States has provided some support to help Caribbean nations come into compliance with the ISPS Code: the U.S. Maritime Administration (MARAD) in the Department of Transportation organizes, manages, and implements the Inter-American Port Security Training Program (IAPSTP) for the Organization of American States; the State Department's Bureau for International Narcotics and Law Enforcement Affairs funds a port security technical assistance program for Western Hemisphere countries; and USAID has funded a project specifically for Eastern Caribbean nations to help assess the status of each port's security requirements and its security plans.

In the 108<sup>th</sup> Congress, a legislative initiative called for additional foreign assistance in order to improve foreign port security worldwide, but no final action was completed before the end of the session. The Senate approved the Maritime Transportation Security Act, S. 2279 (Hollings), in September 2004, which would have provided for the Administrator of the Maritime Administration, in coordination with the Secretary of State, to identify foreign assistance programs that could

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<sup>11</sup> U.S. Department of State. Congressional Budget Justification for Foreign Operations. FY2003-FY2006.

facilitate implementation of port security antiterrorism measures in foreign countries. The act also would have called for a report on the security of ports in the Caribbean Basin, including an assessment of the effectiveness of the measures employed to improved security at such ports and an assessment of the resources and program changes needed to maximize security at Caribbean Basin ports.

In the 109<sup>th</sup> Congress, two bills would provide for foreign assistance programs for Caribbean Basin ports. S. 744 (Nelson, Bill), introduced April 11, 2005, would establish a Caribbean Basin Port Assistance Program. Under the legislative initiative, the Administrator of MARAD in the Department of Transportation, in coordination with the Secretary of State, would identify foreign assistance programs that could facilitate implementation of port security antiterrorism measures at Caribbean Basin ports. The Administrator and the Secretary would establish a program for such assistance in consultation with the Organization of American States. In addition, the Secretary of Homeland Security would be required to submit a report to Congress on status of port security in Caribbean Basin countries. S. 1052 (Stevens), the Transportation Security Improvement Act of 2005, includes a provision (Section 504) that would establish a program to facilitate implementation of port security antiterrorism measures in foreign countries, with particular emphasis on ports in the Caribbean Basin; this bill was introduced May 17, 2005, and reported by the Senate Committee on Commerce, Science, and Transportation on November 17, 2005.

## Crime

Rising crime is a major security challenge throughout the Caribbean. The murder rate in Jamaica continues to soar, with 1,445 people killed in 2004 and more than 1,600 people in 2005. With rate of 60 murders per 100,000 inhabitants in 2005, Jamaica had the highest murder rate in the world.<sup>12</sup> In late February 2006, Jamaicans were shocked over the brutal killings of six family members, including four young children in the western part of the country. High levels of violent crime, including murder and kidnaping, also have plagued Trinidad and Tobago and Haiti. Even smaller Caribbean nations like St. Lucia have experienced a surge in violent crime. On April 22, 2006, Guyana's Agriculture minister, along with his two siblings and a security guard, were shot and killed in an apparent robbery.

Gangs involved in drug trafficking, extortion, and violence are responsible for much of the crime. Some observers believe that criminals deported from the United States have contributed to the region's surge in violent crime in recent years, although some maintain that there is no established link. Jamaica has advocated the development of an international protocol regarding the deportation of criminals.<sup>13</sup>

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<sup>12</sup> "Jamaica Named Murder Capital of the World," *BBC Monitoring Americas*, January 2, 2006.

<sup>13</sup> "Jamaica Wants Protocol to Deal with Deportation of Criminals," *BBC Monitoring Americas*, September 24, 2005.

## Caribbean Energy Security

A major concern for Caribbean nations — the majority of which are net energy importers — has been the rising price of oil and the potential effect of such rising prices on economic growth and social stability. In the Caribbean region, only three nations — Trinidad and Tobago, Cuba, and Barbados — have significant oil and gas reserves. Of these, only Trinidad and Tobago is a major oil and gas producer, accounting for 60% of proven oil reserves and 91% of natural gas reserves in the region. The country is also the largest supplier of liquified natural gas (LNG) to the United States, accounting for 75% of all U.S. LNG imports. Apart from Trinidad and Tobago, Cuba also produces oil, but still imports a majority of its consumption needs. Barbados also produces a small amount of oil, which is refined in Trinidad and Tobago, but it imports 90% of its oil consumption needs.<sup>14</sup>

Venezuela is now offering oil to Caribbean nations on preferential terms in a new program known as PetroCaribe, and there has been some U.S. concern that the program could increase Venezuela's influence in the Caribbean region. Since 1980, Caribbean nations have benefitted from preferential oil imports from Venezuela (and Mexico) under the San Jose Pact, and since 2001, Venezuela has provided additional support for Caribbean oil imports under the Caracas Energy Accord. PetroCaribe, however, would go further with the goal of putting in place a regional supply, refining, and transportation and storage network, and establishing a development fund for those countries participating in the program. Under the program, Venezuela announced that it would supply 190,000 barrels per day of oil to the region, with countries paying market prices for 50% of the oil within 90 days, and the balance paid over 25 years at an annual rate of 2%. When the price of crude oil is over \$50 a barrel, as it is now, the interest is cut to 1%.<sup>15</sup> To date, eleven Caribbean nations are signatories of PetroCaribe. Barbados, which already receives discounted petroleum rates from Trinidad, has declined to sign the agreement, and Trinidad, which has its own significant energy resources, has declined to sign.

## HIV/AIDS in the Caribbean

The AIDS epidemic in the Caribbean, where infection rates are among the highest outside of sub-Saharan Africa, has already begun to have negative consequences for economic and social development in the region. In 2005, an estimated 300,000 adults and children in the Caribbean were reported to be living with HIV, with the epidemic claiming 24,000 lives during the year, making it the leading cause of death among adults aged 15-44 years. The Caribbean countries with the highest adult prevalence or infection rates were Haiti, with a rate over 3%; the Bahamas, Guyana, and Trinidad and Tobago with rates over 2%; and Barbados,

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<sup>14</sup> "Caribbean Fact Sheet," U.S. Department of Energy, Energy Information Administration, July 2005.

<sup>15</sup> "Venezuela: Caribbean Will Receive 190,000 bpd," *Latinnews Daily*, September 8, 2005.

Belize, the Dominican Republic, Jamaica, and Suriname with rates over 1%.<sup>16</sup> In contrast to other parts of Latin America, the mode of transmission in several Caribbean countries has been primarily through heterosexual contact, making the disease difficult to contain, because it affects the general population.

Haiti and the Dominican Republic account for the majority of the region's infected population. The U.S. Agency for International Development (USAID) notes that Haiti's poverty, conflict, and unstable governance have contributed to the rapid spread of AIDS; in some urban areas, HIV infection rates are almost 10%. In both countries, however, there are indications that the epidemic could be reaching a turning point because of prevention efforts.<sup>17</sup>

In Haiti, life expectancy is almost six years lower than it would be without the epidemic, and in the Bahamas and Guyana, the number of deaths among 15-34 year olds is two and one half times higher because of the epidemic.<sup>18</sup> As the epidemic continues, already-strained health systems will be further burdened with new cases of AIDS. As a result of the epidemic, there are some 250,000 AIDS orphans in the Caribbean, with 200,000 of those in Haiti.

Sex tourism is reportedly a factor contributing to rising HIV infection rates in some Caribbean countries. Officials in Trinidad and Tobago have expressed concern about the growth of sex tourism, the so-called "beach bum" phenomenon, and the link to the spread of AIDS.<sup>19</sup> In Jamaica, the resort town of Montego Bay has the highest HIV infection rates in the country.<sup>20</sup> In the Dominican Republic, AIDS activists are concerned about child prostitution in resort areas and the spread of HIV.<sup>21</sup>

According to the World Bank, continued increases in HIV prevalence in the Caribbean will negatively affect economic growth. The epidemic, according to the Bank, will have a negative impact on such economic sectors as agriculture, tourism, lumber production, finance, and trade because of lost productivity of economically active adults with the disease. In particular, the labor market in the region will be dealt a shock because of deaths from AIDS. The Prime Minister of St. Kitts and

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<sup>16</sup> UNAIDS, "AIDS Epidemic Update," December 2005, p. 53.

<sup>17</sup> *Ibid.*, pp. 54-56.

<sup>18</sup> UNAIDS, *Latin America and the Caribbean Fact Sheet*, July 2002.

<sup>19</sup> "Sex Tourism Cause of HIV Spread, Says T&T Minister," *The Weekly Gleaner* (Jamaica), February 19, 2003. The commercial sex industry linked to tourism reportedly is well established in the Caribbean, with increasing male prostitution by so-called "beach boys." See "The Caribbean Regional Strategic Framework for HIV/AIDS," Pan Caribbean Partnership on HIV/AIDS and CARICOM, March 2002, p. 7. Also see Annan Boodram, "The Beach Bum Phenomena," *Caribbean Voice*, August 3, 2002, and Julie Bindel, "The Price of a Holiday Fling," *Guardian* (London), July 5, 2003.

<sup>20</sup> "Rising Rate of AIDS in the Caribbean," *All Things Considered*, National Public Radio, July 2, 2003.

<sup>21</sup> "AIDS Activists Worried Over Child Prostitution in Dominican Republic," *Boston Haitian Reporter*, January 31, 2003.

Nevis, Denzil Douglas, maintains that the epidemic threatens to cripple the labor force just as the region needs to become more competitive in world markets amid the momentum toward hemispheric free trade.<sup>22</sup> Looking ahead, the World Bank warned in 2001 that “what happened in Africa in less than two decades could now happen in the Caribbean if action is not taken while the epidemic is in the early stages.”<sup>23</sup>

The U.S. Agency for International Development (USAID) has been the lead U.S. agency fighting the epidemic abroad since 1986. USAID’s funding for HIV/AIDS in Central America and the Caribbean region rose from \$11.2 million in FY2000 to \$33.8 million in FY2003. Because of the inclusion of Guyana and Haiti as focus countries in the President’s Emergency Plan for AIDS Relief (PEPFAR), funded largely through the Global HIV/AIDS Initiative (GHAI) account, U.S. assistance to the Caribbean and Central America for HIV/AIDS increased to \$47 million in FY2004, \$82 million in FY2005, and an estimated \$87.8 million in FY2006. For FY2007, the Administration requested \$88 million in GHAI funding for Guyana (\$25 million) and Haiti (\$63 million). Further assistance is provided for non-focus countries and programs in Central America and the Caribbean funded through the Child Survival and Health account. In FY2006, assistance to these non-focus countries in the Caribbean and Central America amounted to almost \$23 million. It is possible that at least this much will be allocated in FY2007, which could bring the total funding level for these countries to \$111 million.

Some Members of Congress want to expand the list of Caribbean countries beyond Guyana and Haiti that were cited in 2003 HIV/AIDS legislation, the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 (P.L. 108-25). In the 108<sup>th</sup> Congress, both the House-passed FY2004-FY2005 Foreign Relations Authorization Act, H.R. 1950 (Section 1818), and the Senate Foreign Relations Committee’s reported FY2005 Foreign Relations Authorization Act, S. 2144 (Section 2518), had provisions that would have added 14 Caribbean countries to those listed in the 2003 legislation, but no final action was taken on these measures. In the 109<sup>th</sup> Congress, S. 600, the Foreign Affairs Authorization Act, FY2006 and FY2007, contains a provision (Section 2516) that would add 14 Caribbean countries to the list of focus countries targeted for increased HIV/AIDS assistance.

Other legislative initiatives in the 109<sup>th</sup> Congress include the following: P.L. 109-95 (H.R. 1409, Lee), approved by both houses in October 2005, and signed into law November 8, 2005, amends the Foreign Assistance Act of 1961 to provide assistance for orphans and other vulnerable children in developing countries, including in the Caribbean; H.R. 164 (Millender-McDonald), introduced January 4, 2005, would amend the Foreign Assistance Act of 1961 to provide for the establishment of pediatric centers in certain developing countries, including Guyana, to provide treatment and care for children with HIV/AIDS; and S. 350 (Lugar) and H.R. 945 (Lee), both introduced in February 2005, would provide assistance to

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<sup>22</sup> “Caribbean Leaders Call AIDS ‘Single Biggest Threat’ to Development, Announce Push for Low-Cost Antiretrovirals,” *Kaiser Daily HIV/AIDS Report*, July 8, 2003.

<sup>23</sup> World Bank, *HIV/AIDS in the Caribbean: Issues and Options*, March 2001, p. xii.

combat infectious diseases in Haiti, including HIV/AIDS, and to establish a comprehensive health infrastructure.

For further information, see CRS Report RL32001, *AIDS in the Caribbean and Central America*, by Mark P. Sullivan; and CRS Report RS21181, *HIV/AIDS International Programs: Appropriations, FY2003-FY2006*, by Tiaji Salaam-Blyther.

## Hurricane Disaster Assistance

Several Caribbean nations, especially Haiti, Grenada, Jamaica, and the Bahamas, were hard hit by devastating hurricanes in 2004. Hurricane Charley struck western Cuba in mid-August 2004 causing damage to over 70,000 homes and thousands of hectares of crops. Hurricane Frances struck the Bahamas in September 2004, causing widespread damage throughout the country's islands. Hurricane Ivan caused severe damage across the Caribbean in September 2004: it devastated Grenada with some 80%-90% of the nation's buildings destroyed; it passed over Jamaica causing damage in the western part of the island and in southern coastal towns; it struck the British dependency of the Cayman Islands causing damage to 50% of homes on the island of Grand Cayman; and it affected western Cuba, damaging houses and crops. Tropical Storm Jeanne caused devastating mudslides and floods in northern Haiti in September 2004 that killed some 3,000 people, with over 2,800 of those in the city of Gonaives. In 2005, Hurricane Dennis heavily damaged Cuba and Grenada.

The United States provided humanitarian assistance to several Caribbean nations in the aftermath of these storms and floods. USAID set up a Disaster Assistance Response Team (DART) to respond to the disasters, with team members located in the various islands. In addition, the 108<sup>th</sup> Congress appropriated \$100 million in emergency assistance (P.L. 108-324) in late October 2004 for Caribbean nations afflicted by the storms. The State Department announced that the \$100 million would be targeted as follows: \$42 million for Grenada, \$38 million for Haiti, \$18 million for Jamaica, and \$2 million for other countries affected by the storms, such as the Bahamas. In the aftermath of the 2004 hurricane season, Congress approved funding for the National Oceanic and Atmospheric Administration to deploy new hurricane buoys to enhance monitoring in the Caribbean. In addition, for several years, USAID has provided support for disaster preparedness and mitigation in the Latin America and Caribbean region.

Some observers and Members of Congress had criticized current U.S. assistance efforts for the Caribbean as too small in light of the devastation caused by the storms. At the time, the Congressional Black Caucus called for \$500 million in assistance to Caribbean nations affected by the storms.<sup>24</sup> Former President Jimmy Carter urged the United States and other international lenders to forgive part of Grenada's foreign debt. In addition to assistance, some called on the Bush Administration to provide

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<sup>24</sup> *Congressional Record*, October 4, 2004, p. H7999.

Temporary Protected Status (TPS) or “deferred enforced departure” to nationals of several of the affected countries, especially Haiti.<sup>25</sup>

## Legislative Initiatives in the 109<sup>th</sup> Congress

**General.** *H.Con.Res. 71 (Lee)*, introduced February 17, 2005, passed by the House on June 27, 2005, and by the Senate on February 14, 2006, expresses the sense of Congress that there should be established a Caribbean-American Heritage Month. *H.Con.Res. 175 (Rangel)*, introduced June 8, 2005, and passed by the House (382-6, 2 present), acknowledges African descendants of the transatlantic slave trade in all of the Americas with an emphasis on descendants in Latin America and the Caribbean, recognizes the injustices suffered by these African descendants, and recommends that the United States and the international community work to improve the situation of Afro-descendant communities in Latin America and the Caribbean. *H.R. 953 (Menendez)*, introduced February 17, 2005, and *S. 682 (Dodd)*, introduced March 17, 2005, would authorize the establishment of a Social Investment and Economic Development Fund for the Americas to provide assistance to reduce poverty and foster increased economic opportunity in Western Hemisphere countries, including in the Caribbean. *H.R. 1130 (Waters)*, introduced March 3, 2005, would provide for the cancellation of debts owed to international financial institutions by eligible poor countries, including the Caribbean nations of Guyana, Haiti, and Jamaica.

**Trade.** *P.L. 109-53 (H.R. 3045)*, the Dominican Republic-Central America-United States Free Trade Agreement Implementation Act; both houses approved in July 28, 2005, and the measure was signed into law August 2, 2005. Two identical bills referred to as the Caribbean Basin Trade Enhancement Act of 2005 — *H.R. 1213 (Hyde)*, introduced March 10, 2005, and *S. 704 (Martinez)*, introduced April 5, 2005 — would authorize up to \$10 million in FY2006 for the Organization of American States (OAS) to establish a Center for Caribbean Basin Trade and up to \$10 million for the OAS to establish a skills-training program for Caribbean Basin countries. *H.R. 3176 (Menendez)*, introduced June 30, 2005, would amend the Caribbean Basin Economic Recovery Act to provide for preferential treatment for certain apparel articles that are both cut (or knit to shape) and sewn or otherwise assembled in a beneficiary country under the act from fabrics or yarn not widely available in commercial quantities.

**Port Security.** *S. 1052 (Stevens)*, the Transportation Security Improvement Act of 2005, introduced May 17, 2005, and reported by the Senate Committee on Commerce, Science, and Transportation on November 17, 2005, includes a provision (Section 504) that would establish a program to facilitate implementation of port security antiterrorism measures in foreign countries, with particular emphasis on

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<sup>25</sup> Jacqueline Charles and Alfonso Chardy, “Immigration Advocates: Allow Migrants from Storm Damaged Islands to Stay in the United States,” *Miami Herald*, September 22, 2004; For further background on TPS, see CRS Report RS20844, *Temporary Protected Status: Current Immigration Policy and Issues*, by Ruth Ellen Wasem.

ports in the Caribbean Basin. *S. 744 (Nelson, Bill)*, introduced April 11, 2005, would establish a Caribbean Basin Port Assistance Program.

**HIV/AIDS.** *P.L. 109-95 (H.R. 1409, Lee)*, introduced March 17, 2005, approved by both houses in October 2005, and signed into law November 8, 2005, amends the Foreign Assistance Act of 1961 to provide assistance for orphans and other vulnerable children in developing countries, including in the Caribbean. *H.R. 164 (Millender-McDonald)*, introduced January 4, 2005, would amend the Foreign Assistance Act of 1961 to provide for the establishment of pediatric centers in certain developing countries, including Guyana, to provide treatment and care for children with HIV/AIDS. *H.R. 945 (Lee)*, introduced February 17, 2005, would provide assistance to combat infectious diseases in Haiti, including HIV/AIDS, and to establish a comprehensive health infrastructure. *S. 600 (Lugar)*, introduced March 10, 2005, the Foreign Affairs Authorization Act, FY2006 and FY2007, contains a provision (Section 2516) that would add 14 Caribbean countries to the list of focus countries targeted for increased HIV/AIDS assistance. The list already includes Guyana and Haiti.

**Tsunami Detection and Warning.** *P.L. 109-13 (H.R. 1268)*, Emergency Supplemental for FY2005, signed into law May 11, 2005, provided \$10.2 million for buoys for the Pacific and Atlantic Oceans, Gulf of Mexico, and Caribbean Sea for observing ocean conditions at depth. Several legislative initiatives have been introduced in the 109<sup>th</sup> Congress regarding support for a U.S. tsunami detection and warning system, including *S. 50 (Inouye)*, passed by the Senate July 11, 2005; *H.R. 1674 (Boehlert)*, ordered reported by the House Committee on Science May 4, 2005. For analysis of these initiatives, and information on additional legislative initiatives, see CRS Report RL32739, *Tsunamis: Monitoring, Detection, and Early Warning Systems*, by Wayne A. Morrissey.

**Cuba.** Numerous legislative initiatives have been introduced in the 109<sup>th</sup> Congress regarding Cuba's human rights situation, U.S. economic sanctions (including the overall embargo, travel restrictions, and restrictions on financing for U.S. agricultural exports to Cuba), and radio and television broadcasting. For a listing of legislative initiatives and action, see CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*, by Mark P. Sullivan.

**Guyana.** *H.Con.Res. 74 (Meeks)*, introduced February 17, 2005, would express the sense of Congress with respect to the urgency of providing adequate assistance to Guyana, devastated by severe flooding. Also see *H.R. 164* in the "HIV/AIDS" section above; and *H.R. 1130* in the "General" section above.

**Haiti.** Numerous legislative initiatives have been introduced in the 109<sup>th</sup> Congress regarding Haiti, including on migration, reconstruction assistance, health assistance, and on the establishment of an independent commission examining the U.S. role in the 2004 "coup" in Haiti. For a listing of legislative initiatives and action, see CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by Maureen Taft-Morales.

**Jamaica.** *H.Res. 727 (Waters)*, introduced March 14, 2006, would congratulate Portia Simpson Miller for becoming the first female Prime Minister-designate of



Jamaica. *H.Con.Res. 362 (Jackson-Lee)*, introduced March 16, 2006, would congratulate Prime Minister Portia Simpson Miller for becoming the first democratically elected female Prime Minister of Jamaica.

**Montserrat.** Two bills — *H.R. 342 (Owens)*, introduced January 25, 2005, and *S. 297 (Schumer)*, introduced February 7, 2005, would provide for adjustment of immigration status for certain aliens granted temporary protected status in the United States because of conditions in Montserrat.

## For Additional Reading

CRS Report RL30935, *Agricultural Trade in the Free Trade Area of the Americas*, by Remy Jurenas.

CRS Report RL32001, *AIDS in the Caribbean and Central America*, by Mark P. Sullivan.

CRS Report RL33337, *Article 98 Agreements and Sanctions on U.S. Foreign Aid to Latin America*, by Clare M. Ribando.

CRS Issue Brief IB95050, *Caribbean Basin Interim Trade Program: CBI/NAFTA Parity*, by Vladimir Pregelj.

CRS Report RL32322, *Central America and the Dominican Republic in the Context of the Free Trade Agreement (DR-CAFTA) with the United States*, coordinated by K. Larry Storrs.

CRS Report RL32730, *Cuba: Issues for the 109<sup>th</sup> Congress*, by Mark P. Sullivan.

CRS Report RS21718, *Dominican Republic: Political and Economic Conditions and U.S. Relations*, by Clare Ribando.

CRS Report RL31870, *The Dominican Republic-Central America-United States Free Trade Agreement (DR-CAFTA)*, by J.F. Hornbeck.

CRS Report RS21930, *Ethanol Imports and the Caribbean Basin Initiative*, by Brent D. Yacobucci.

CRS Report RS20864, *A Free Trade Area of the Americas: Major Policy Issues and Status of Negotiations*, by J.F. Hornbeck.

CRS Report RL32294, *Haiti: Developments and U.S. Policy Since 1991 and Current Congressional Concerns*, by Maureen Taft-Morales.

CRS Report RS22372, *Jamaica: Political and Economic Conditions and U.S. Relations*, by Mark P. Sullivan

CRS Report 98-684, *Latin America and the Caribbean: Fact Sheet on Leaders and Elections*, by Mark Sullivan and Barbara Salazar Torreon.

CRS Report RL32733, *Latin America and the Caribbean: Issues for the 109<sup>th</sup> Congress*, coordinated by Mark P. Sullivan.

CRS Report RL33162, *Trade Integration in the Americas*, by M. Angeles Villarreal.

CRS Report RL33200, *Trafficking in Persons in Latin America and the Caribbean*, by Clare M. Ribando.

CRS Report RL32739, *Tsunamis: Monitoring, Detection, and Early Warning Systems*, by Wayne A. Morrissey.

CRS Report RL32487, *U.S. Foreign Assistance to Latin America and the Caribbean*, coordinated by Connie Veillette.

**Table 1. Caribbean Countries: Basic Facts**

Country	Area (sq. miles)	Population (2004, thousands)	Per Capita Income (U.S. \$, 2004 est.)	Adult Literacy Rate (%ages 15 and above, 2003 est.)
Antigua and Barbuda	170	80	10,000	85.8
Bahamas	5,382	320	14,920	95.5
Barbados	166	272	9,270	99.7
Belize	8,867	283	3,940	76.9
Cuba	44,200	11,365	a	96.9
Dominica	290	71	3,650	88.0
Dominican Republic	18,704	8,900	2,080	87.7
Grenada	133	106	3,760	96.0
Guyana	82,980	772	990	96.5
Haiti	10,714	8,600	390	51.9
Jamaica	4,244	2,700	2,900	87.6
St. Kitts and Nevis	101	47	7,600	97.8
St. Lucia	238	164	4,310	90.1
St. Vincent	130	108	3,650	88.1
Suriname	63,037	443	2,250	88.0
Trinidad and Tobago	1,980	1,323	8,580	98.5

**Sources:** Area statistics are drawn from the U.S. Department of State Background Notes for each country; population and per capita income statistics are from the World Bank's *World Development Report 2006*; adult literacy rates are from the United Nations' *Human Development Report 2005*.

a. Estimated by the World Bank to be between \$826-\$3,255.

**Table 2. Caribbean Leaders and Elections**

Country	Head of Government	Last Election	Next Election
Antigua & Barbuda	Spencer, Baldwin	Mar. 23, 2004	by Mar. 2009
Bahamas	Christie, Perry	May 2002	by May 2007
Barbados	Arthur, Owen	May 21, 2003	by May 2008
Belize	Musa, Said	Mar. 5, 2003	by Mar. 2008
Cuba	Castro, Fidel	<sup>a</sup>	<sup>a</sup>
Dominica	Skerritt, Roosevelt	May 5, 2005	by May 2010
Dominican Republic	Fernandez, Leonel	May 16, 2004	May 2008
Grenada	Mitchell, Keith	Nov. 27, 2003	by Nov. 2008
Guyana	Bharrat, Jagdeo	Mar. 2001	by Aug. 4, 2006
Haiti	Alexandre, Boniface <sup>b</sup>	Feb. 7, 2006 <sup>b</sup>	2011
Jamaica	Simpson Miller, Portia <sup>c</sup>	Oct. 2002	by Oct. 2007
St. Kitts & Nevis	Douglas, Denzil	Oct. 25, 2004	by Oct. 2009
St. Lucia	Anthony, Kenny	Dec. 2001	by Dec. 2, 2006
St. Vincent & the Grenadines	Gonsalves, Ralph	Dec. 7, 2005	by Mar. 7, 2010
Suriname	Venetiaan, Ronald	May 25, 2005	May 2010
Trinidad & Tobago	Manning, Patrick	Oct. 7, 2002	by Oct. 2007

a. Castro has served as head of government since the 1959 Cuban Revolution. Since that time, there have been no elections for head of government.

b. Alexandre became interim president February 29, 2004, following the departure of President Jean Bertrand Aristide. René Préal won the Feb. 7, 2006 presidential election and is expected to be inaugurated May 14, 2006, after a new Parliament is in place.

c. Portia Simpson Miller was sworn in as Prime Minister in March 30, 2006, after replacing out going Prime Minister P.J. Patterson as leader of the ruling People's National Party.

**Table 3. U.S. Imports from Caribbean Countries**  
(U.S. \$ millions)

Country	1984	2001	2002	2003	2004
Antigua and Barbuda	7.898	3.741	3.527	12.767	4.366
Bahamas	1,154.282	313.889	449.697	479.305	637.331
Barbados	252.598	39.546	34.438	43.428	36.872
Belize	42.843	97.401	77.668	101.443	107.103
Dominica	.086	5.268	4.670	5.252	2.883
Dom. Republic	994.427	4,183.435	4,168.881	4,455.230	4,528.420
Grenada	.766	24.117	6.886	7.602	5.101
Guyana	74.417	140.344	115.615	118.690	122.667
Haiti	377.413	263.108	255.007	332.340	370.666
Jamaica	396.949	460.559	396.317	422.749	320.304
St. Kitts and Nevis	23.135	41.096	48.627	44.588	41.701
St. Lucia	7.397	28.911	19.180	12.999	14.347
St. Vincent	2.958	22.493	16.475	4.142	4.130
Suriname*	104.636	142.918	132.722	140.064	140.804
Trinidad and Tobago	1,360.106	2,380.010	2,440.304	4,333.753	5,854.311
<b>Total</b>	<b>4,695.275</b>	<b>8,146.836</b>	<b>8,170.016</b>	<b>10,514.352</b>	<b>12,191.006</b>

**Source:** 1984 statistics are from U.S. International Trade Commission, *The Impact of the Caribbean Basin Economic Recovery Act, Fifteenth Report*, 1999-2000, September 2001; 2000-2004 trade statistics are from the Department of Commerce, as presented by World Trade Atlas.

\* Suriname has not been a beneficiary of the Caribbean Basin Initiative preferential trade program.

**Table 4. U.S. Exports to Caribbean Countries**  
(U.S. \$ millions)

Country	2001	2002	2003	2004
Antigua and Barbuda	95.526	81.359	127.314	125.270
Bahamas	1,026.342	975.309	1,074.694	1,182.066
Barbados	286.613	267.646	300.095	347.579
Belize	173.167	137.667	198.808	151.675
Dominica	30.690	44.972	34.332	35.890
Dominican Republic	3,757.045	4,250.068	4,205.449	4,342.882
Grenada	59.873	56.406	68.420	69.910
Guyana	141.252	128.208	117.148	135.620
Haiti	550.383	573.185	639.441	663.001
Jamaica	1,405.522	1,420.187	1,469.545	1,431.596
St. Kitts and Nevis	46.338	49.461	58.768	60.417
St. Lucia	86.743	99.499	119.544	103.304
St. Vincent	38.836	40.449	46.216	45.396
Suriname	155.306	124.757	192.655	178.561
Trinidad and Tobago	1,087.143	1,020.211	1,063.297	1,207.194
<b>Total</b>	<b>8,940.779</b>	<b>9,269.384</b>	<b>9,715.726</b>	<b>10,080.361</b>

**Source:** Trade statistics are from the Department of Commerce, as presented by World Trade Atlas.

**Table 5. U.S. Foreign Assistance to the Caribbean,  
FY2002-FY2006**  
(U.S. \$ millions)

Country	FY2003	FY2004	FY2005	FY2006 (estimate)	FY2007 (request)
Bahamas	1.336	1.264	1.294	2.512	0.805
Belize	2.046	2.082	2.799	2.251	2.289
Cuba	6.000	21.369	8.928	10.890	9.000
Dominican Republic	28.099	33.968	28.652	27.108	35.007
Guyana	8.407	11.590	20.255	23.965	31.009
Haiti	71.887	132.324	182.717	194.384	198.039
Jamaica	22.337	24.186	22.459	19.472	16.617
Suriname	1.397	1.471	1.486	1.627	3.000
Trinidad and Tobago	0.540	0	0.049	1.028	2.894
Caribbean Regional	13.008	10.310	110.909	11.326	11.640
Eastern Caribbean <sup>a</sup>	4.255	6.900	4.958	4.813	4.774
Third Border	3.000	4.976	8.928	2.970	3.000
OAS Special Mission in Haiti	—	4.971	—	—	—
Operation Enduring Friendship	—	—	—	3.960	4.000
Total	162.312	255.411	393.434	316.233	

**Source:** U.S. Department of State, FY2004-FY2007 Congressional Budget Justifications for Foreign Operations.

- a. The Eastern Caribbean category funds military assistance and Peace Corp programs for seven countries. Antigua and Barbuda, Barbados, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Development assistance for these nations is funded under U.S. AID's Caribbean Regional program.

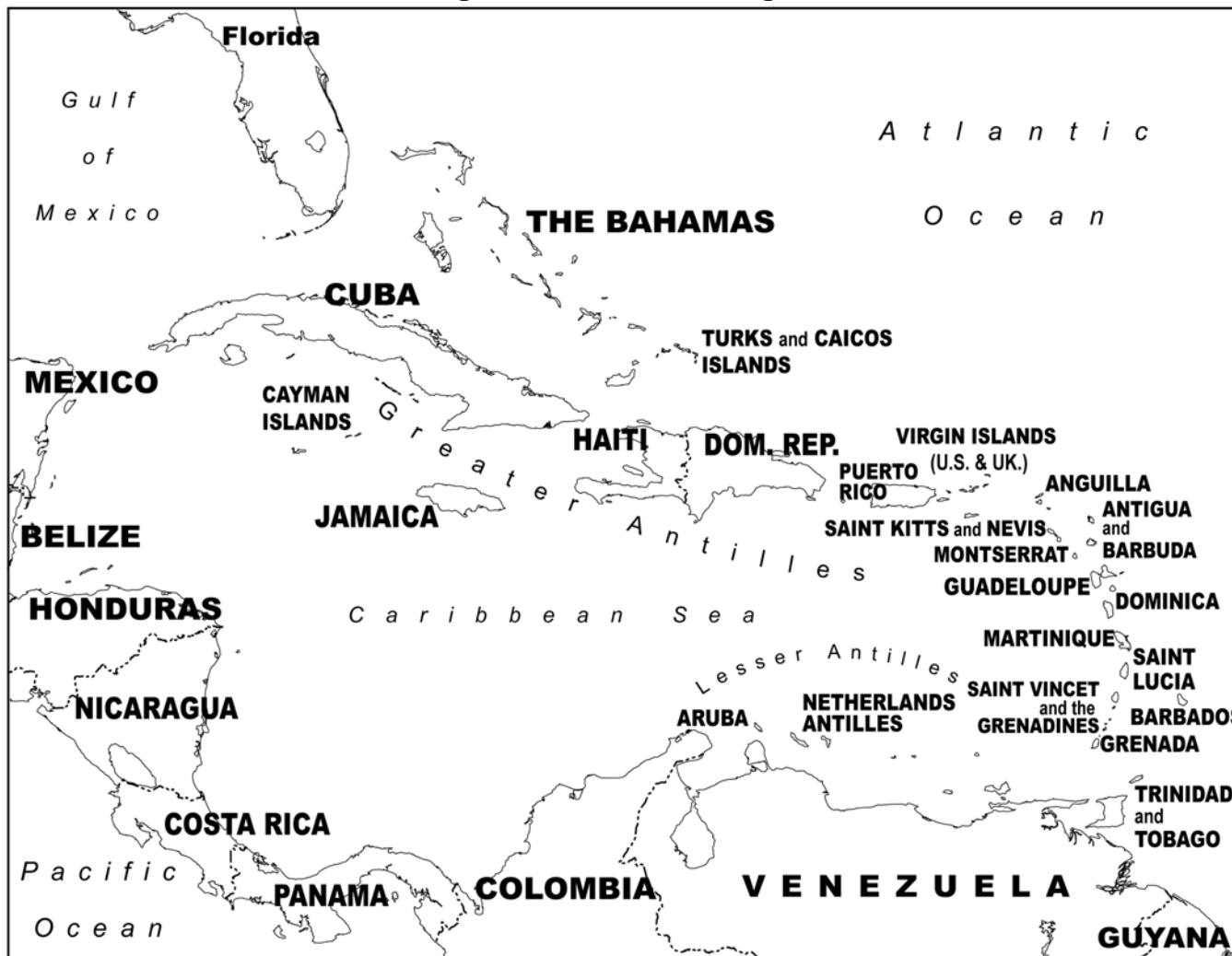
**Table 6. U.S. Foreign Assistance to the Caribbean FY2006  
Estimates and FY2007 Requests**  
(U.S. \$ millions)

Country	DA	CSH	GHAI	ESF	PL 480	IMET	INL	FMF	Other	Total
Bahamas										
FY2006	—	—	—	—	—	.39	.50	.10	1.53	2.52
FY2007 Req.	—	—	—	—	—	.23	.50	.08	—	0.81
Belize										
FY2006	—	—	—	—	—	.20	—	.20	1.86	2.26
FY2007 Req.	—	—	—	—	—	.25	—	.18	1.87	2.30
Cuba										
FY2006	1.98	—	—	8.91	—	—	—	—	—	10.89
FY2007 Req.	—	—	—	9.00	—	—	—	—	—	9.00
Dominican Republic										
FY2006	7.07	12.72	—	1.98	—	1.29	—	.94	3.12	27.12
FY2007 Req.	6.01	11.34	—	12.00	—	1.09	—	.73	3.85	35.02
Guyana										
FY2006	3.96	—	18.00	—	—	.30	—	.10	1.61	23.97
FY2007 Req.	4.00	—	25.00	—	—	.32	—	.08	1.61	31.01
Haiti										
FY2006	29.70	19.80	47.30	49.50	31.48	.21	14.85	.99	.55	194.38
FY2007 Req.	23.14	15.81	63.00	50.00	34.50	.25	10.00	.78	.56	198.04
Jamaica										
FY2006	9.58	4.47	—	—	—	.89	.99	.59	2.95	19.47
FY2007 Req.	7.39	2.81	—	—	—	.75	.90	.50	4.27	16.62
Suriname										
FY2006	—	—	—	—	—	.15	—	.10	1.38	1.63
FY2007 Req.	—	—	—	—	—	.15	—	.08	1.47	1.70
Trinidad & Tobago										
FY2006 <sup>a</sup>	—	—	—	—	—	.05	—	—	.98	1.03
FY2007 Req.	—	—	—	—	—	.05	—	—	2.85	2.90
Third Border Initiative										
FY2006	—	—	—	2.97	—	—	—	—	—	2.97
FY2007 Req.	—	—	—	3.00	—	—	—	—	—	3.00
Operation Enduring Friendship										
FY2006	—	—	—	—	—	—	—	3.96	—	3.96
FY2007 Req.	—	—	—	—	—	—	—	4.00	—	4.00
Caribbean Region										
FY2006	4.89	6.44	—	—	—	—	—	—	—	11.33
FY2007 Req.	6.00	5.64	—	—	—	—	—	—	—	11.64
Eastern Caribbean										
FY2006	—	—	—	—	—	.76	—	.89	3.16	4.81
FY2007 Req.	—	—	—	—	—	.77	—	.78	3.23	4.78
Total - FY2006	57.18	43.43	65.30	63.36	31.48	4.24	16.34	8.76	17.14	307.23
Total - FY2007	46.54	35.60	88.00	74.00	34.50	3.86	11.40	7.21	19.71	320.82

**Source:** Figures are drawn from U.S. Department of State Congressional Budget Justification, Summary Tables, Fiscal Year 2007. Table prepared by Connie Veillette, CRS, February 28, 2006. Operation Enduring Friendship includes activities in Panama.



Figure 1. Caribbean Region



Source: Map Resources. Adapted by CRS. (K.Yancey 9/7/04)